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Concession Fare Policy for Financially Disadvantaged Groups: Review of the Currie, Coopers & Lybrand Study

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EXECUTIVE SUMMARY

The firm of Currie, Coopers & Lybrand (CCL) were retained to study a proposal put forth by the Half-Price Metropass Coalition (HPMC) for implementation of a half-price Metropass for a range of financially disadvantaged groups. The purpose of this staff report is to review the final report submitted by CCL, and to provide further analysis and recommendations on areas not emphasized in the study.

Review of the Currie, Coopers & Lybrand Report

Based On:

- Interviews with representatives of both the HPMC, the appropriate social agencies, and other transit properties who have initiated or considered some form of concession fare program; and,
- A review of the present support mechanisms and sources of funding for the HPMC groups; and,
- An assessment of the financial impact of a half-price Metropass for the HPMC ...

The CCL report made the following conclusions and recommendations:

1. There is already an extensive social welfare network in place with established funding responsibility for all the HPMC constituent groups in question. Whether or not the level of financial assistance provided by the various social agencies is adequate is a question which is beyond the TTC's mandate to answer.
2. The HPMC should have approached the funding groups more directly involved rather than the TTC in order to establish the need for its proposed program.
3. Given the disparate nature and financial needs of the various sub-groups (and individuals within each group), and the costs associated with a half-price reduction in fares (in excess of $20 million annually), a blanket program funded by a single source, especially the TTC, is not considered feasible.

4. Despite the fact that there may be some areas of real need within the HPMC, the TTC's mandate is to provide a transit service, not a social welfare service, and is therefore in no position to respond. THUS, THE TTC SHOULD NOT CONSIDER IMPLEMENTATION OF REDUCED FARE PROGRAMS FOR THESE GROUPS.

Adult High School Student Fare Policy

The Commission report on this subject which was tabled at the November 27, 1984 Commission meeting recommended that the TTC maintain the current age limit on eligibility for student fares, for the following reasons:

- The importance of controlling abuse of the student concession fare program;
- The availability of transportation assistance through various social programmes; and
- The fact that any change in policy causes the costs of providing reduced fares to adult students to be borne by other riders.

At the Commission meeting in question, it was suggested that the cost to reinstate the concession fare privilege to adult students would be offset by declining high school enrollment.

A review of available statistics confirms that Metro high school enrollment is expected to decline over the next few years, however, any corresponding reduction in student fares collected will not be sufficient to offset the cost to provide half-price fares to adult students.

It is important to note that in the years after the TTC lifted the time and age restriction for high school students, student fares as a percentage of total TTC fares collected increased from 6.35% to 15% (1973 - 1983). Since the introduction of the student I.D. card enforcement program, the proportion of total rides taken by students has dropped to 13.2%. This drop is thought to be a result of the enforcement program, of which the age restriction is considered an important part.

IT IS THEREFORE RECOMMENDED THAT THE PRESENT POLICY BE MAINTAINED, UNLESS THE LOCAL SCHOOL BOARDS (AND THE MINISTRY OF EDUCATION) ARE WILLING TO ACCEPT RESPONSIBILITY FOR THE ADMINISTRATION, ESTABLISHMENT OF ELIGIBILITY RESTRICTIONS, AND COSTS OF THE ENTIRE STUDENT CONCESSION FARE PROGRAM (ESTIMATED AT NEARLY $20 MILLION ANNUALLY IN 1984).

Other Considerations

Should the Commission reject the CCL recommendation that the TTC not endorse a concession fare program for all or part of the HPMC group, then tickets, not passes, should be selected as the appropriate fare medium. This would be more equitable, since only heavy users would benefit from the introduction of a half-price pass. With tickets, all eligible transit riders could benefit in direct proportion to their trip-making.

The staff report identified and evaluated a number of implementation options regarding distribution and purchase of tickets for potential concession fare users. From the TTC's perspective, it is desirable that THE RELEVANT SOCIAL AGENCIES INVOLVED BE RESPONSIBLE FOR PURCHASING REGULAR ADULT TICKETS FROM THE TTC AT FULL PRICE AND SELLING THESE TICKETS TO THEIR ELIGIBLE CONSTITUENTS AT HALF-PRICE. This procedure is essentially that which is presently used by the local social welfare agencies who provide tickets to individuals on the basis of need. Revenue is directly received by the TTC, control of fare abuse is the responsibility of the funding agency, no onus is placed on TTC collectors or operators to handle different fare media, and the anonymity of the concession fare user would be preserved.

Concession Fare Policy for Financially Disadvantaged Groups: Review of the Currie, Coopers & Lybrand Study

1.0 Introduction

The Half-Price Metropass Coalition (HPMC) were deputants at the November 27, 1984 Commission meeting during discussion of a staff report entitled Adult Student Fare Policy. This group was seeking support for a half-price Metropass for the constituent groups represented by the coalition, including:

- University and College Students
- Adult High School Students (over age 19)
- U.I.C. Recipients
- Permanent Workers' Compensation Benefit Recipients
- General Welfare Recipients
- Family Benefit Recipients

The rationale for the HPMC proposal is that these groups are financially disadvantaged and cannot afford transit at full price. Acknowledging that assistance programmes are in place, the HPMC insist that this financial aid is not sufficient. In addition to the financial relief a half-price pass would afford, the HPMC suggest that the TTC would benefit by increased ridership which may offset foregone revenue.

The HPMC submitted a brief which outlined the size of the groups involved, why they required lower fares, and a proposal for implementation. They recognized that the TTC, through its system riders, should not be required to pay for the costs of this programme. Their request was for the TTC to endorse the need for the programme and to actively pursue a permanent source of funding - presumably at the provincial level.

The Commission agreed to table the Adult Student Fare Policy report, which would be included in a review of the HPMC proposal. To this end, the firm of Currie, Coopers and Lybrand (CCL) were retained to study the HPMC proposal for implementation of a half-price Metropass for the groups in question and to provide a report on this subject, including a recommended course of action for the TTC.

The purpose of this staff report is to review the final report submitted by CCL (attached), and to provide further analysis and recommendations on areas not emphasized in the study, including:

- The most appropriate fare medium and implementation procedure should the Commission decide to endorse the program.

- Separate groups within the HPMC, notably Adult High School Students.

2.0 Review of the Currie, Coopers & Lybrand Report

2.1 Approach

The approach taken by CCL in the study was to:

- Interview representatives of both the HPMC, the social agencies presently responsible for their funding, and other transit properties referenced in the HPMC brief which have initiated some form of concession fare program.

- Provide profiles of the sub-groups within the HPMC, including verification of group size and comments on ridership habit and financial circumstances.

- Review the present support mechanisms and sources of funding for these groups.

- Assess the financial impact of a half-price Metropass for the entire HPMC group and sub-groups.

- Provide conclusions and recommendations.

2.2 Group Size

Based on discussions with the appropriate social agencies, CCL have concluded that the HPMC estimates are accurate, with the exception of those on Permanent Workers' Compensation, who should number 20,000 not 30,000 as specified by HPMC. The total population of the HPMC constituent groups is approximately 340,000:

UIC	106,000
Welfare	30,000
Family Benefits	37,000
Workers Compensation	20,000
Students*	146,000
	340,000

*(includes 15,000 High School Students over age 19)

2.3 Sources of Funding

For the General Welfare Allowance (GWA) and Family Benefit Allowance (FBA) groups, a transportation allowance is provided to individuals when a specific transportation need is justified. These needs do not include improved lifestyle changes associated with greater transportation mobility, but are based on more tangible needs such as job search and medical appointments. Any funding of these groups under the Canada Assistance Program would be done on an individual basis, precluding a general grant to the TTC.

Payments are made to Workers' Compensation and War Veterans based on disability and are intended to provide a base level of support. They are entitled to GWA if their income falls below the level which GWA would normally provide.

UIC recipients receive benefits on the basis of premiums paid, like any insurance. Transportation is but one component of costs which must be provided for from the benefits. It should be noted that due to the highly variable financial situations of this group, provision of reduced fares would encompass a much broader population than those who are truly disadvantaged financially.

Post-secondary students in Ontario can apply for funding assistance through the OSAP program. Benefits are provided to eligible students based on a means test. The transportation component of this benefit would cover virtually all of the students school-related transit costs. Since the means test includes parental circumstances, only one-third of the post secondary students qualify.

Adult high school students are not eligible for OSAP, however, they are eligible for GWA (or even UIC) if need can be proven to the appropriate social welfare agency. Of the 3,000 adult students in Adult Learning Centres, it is estimated that 2,500 receive some form of transportation assistance.

2.4 Financial Impact

Diagram II from the CCL report shows the potential revenue loss associated with offering a half-price Metropass to the total HPMC group. Key assumptions include:

- 66% of the total population of 340,000 are present TTC users;
- An average of 9.1 trips are taken per week.

Based on these assumptions, it is estimated that a half-price Metropass would cost the TTC up to $500,000 per week in lost revenue, or between $21 - $26 million per year.

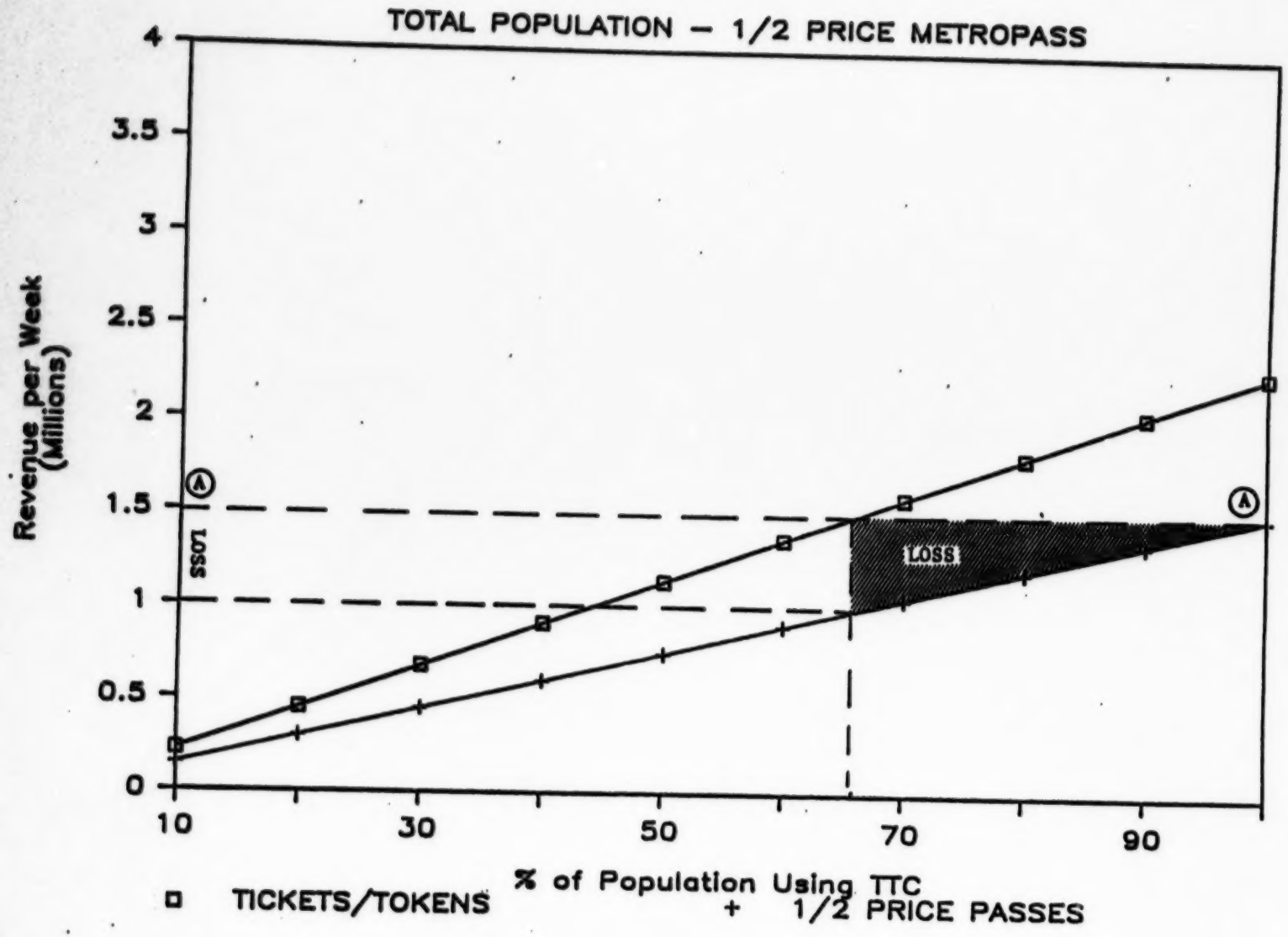
If the proportion of the total HPMC population using the TTC subsequently increases as a result of introducing a half-price pass, the revenue loss would be reduced somewhat as can be seen in Diagram II. Given the already high level of transit use and the fact that a half-price Metropass would still not be financially beneficial to light users, it is unlikely that the potential revenue loss would be reduced significantly.

CCL analyzed the financial impact of sub-groups within the HPMC as well, and concluded that those groups who are neither large in number nor presently heavy transit users, notably the Welfare and Workers' Compensation recipients, would generate a relatively minor financial loss. On the other hand, the student population, who are the largest group, presently use transit the most, (and who are the most active members of the HPMC), would generate the largest financial loss ($250,000 - $400,000 per week).

2.5 Conclusions and Recommendations

The CCL report noted that there is already an extensive social welfare network in place with established funding responsibility for all the HPMC consitituent groups in question. Whether or not the level of financial assistance provided by the various social agencies is adequate was judged to be beyond the mandate of their study, and the TTC.

DIAGRAM II


TOTAL POPULATION – 1/2 PRICE METROPASS
Revenue per Week (Millions)
4
3.5
3
2.5
2
1.5
1
0.5
0
LOSS
LOSS
10
30
50
70
90
% of Population Using TTC
TICKETS/TOKENS
1/2 PRICE PASSES

Conclusions and Recommendations - con't

In light of this conclusion, CCL suggest that the HPMC should have approached the funding groups more directly involved rather than the TTC in order to establish the need for its proposed program. Given the disparate nature and financial needs of the various sub-groups, and the costs associated with a half-price reduction in fares, a blanket program funded by a single source, especially the TTC, is not considered feasible.

The report concludes that despite the fact that there may be some areas of real need within the HPMC, the TTC's mandate is to provide a transit service, not a social welfare service, and is therefore in no position to respond. CCL effectively recommend that the TTC should not consider implementation of reduced fare programs for these groups.

3.0 Issues Not Addressed in the Currie, Coopers and Lybrand Study

3.1 Adult Student Fare Policy

The CCL study did not specifically address the adult high school student group, who unlike the rest of the HPMC, have actually had the half-price concession fare privilege withdrawn.

The Commission report on this subject (attached) which was tabled at the November 27, 1984 Commission meeting recommended that the TTC maintain the current age limit on eligibility for TTC student fares, for the following reasons:

- The importance of controlling abuse of the student concession fare program;
- The availability of transportation assistance through various social programmes; and,
- The fact that any change in policy causes the costs of providing reduced fares to adult students to be borne by other riders.

At the Commission meeting in question, it was suggested that the cost to reinstate the concession fare privilege to adult students would be offset by declining high school enrollment. Review of available statistics indicates that secondary school enrollment in the Public School system has declined in recent years (5.6% since 1980) and should continue to decline, however, some of this loss has and will likely continue to be made up by the increased enrollment in the Separate School system. If the estimated number of full-time students over age 19 at the commencement of the school year is approximately 15,000 (3,000 attending Adult Learning Centres), the cost to provide half price fares to this group would not be offset by the 2,000 per year decline in high school enrollment that can be expected over the next few years.

In any event, while student enrollment has been declining over the past several years, student ridership has increased significantly both in absolute and relative terms, since the time and age restriction for students was lifted in March of 1973. In February, 1973 students represented 6.35% of total fares collected. One year later this had increased to 10.76%, and has climbed steadily thereafter. In February, 1983 student concession fares represented 15% of total fares collected, two and a half times the proportion before the TTC removed time and age restrictions for high school students.

It is interesting to note that since the inception of the student I.D. card enforcement program, the proportion of total rides taken by students has dropped considerably (to 13.2% in February, 1984). This drop is quite likely a result of the enforcement program, of which the age restriction is considered an important part.

As stated in the Adult Student Fare Policy Commission report, if the local school boards (and the Ministry of Education) are willing to accept responsibility for the administration and costs of the entire student concession fare program (estimated at $20 million annually), then establishment of appropriate eligibility restrictions would then be within their jurisdiction.

3.2 Preferred Fare Medium for Concession Fare Program

Should the Commission reject the CCL recommendation that the TTC not endorse a concession fare program for all or part of the HPMC group, there are two principal fare medias to be considered:

- Metropass
- Tickets

While the pass does offer some advantages, notably its convenience for users, it is not as desirable an option as a concession fare program using tickets, for the following reasons:

- Many people are not heavy transit riders and would not take sufficient trips each month to warrant purchase of even a half-price pass. Thus only heavy users would benefit from the introduction of a half-price pass, and this would not be equitable. If tickets were offered, then all eligible transit riders could benefit in direct proportion to their trip-making;

- It would be easier to monitor the number of trips made and hence identify the exact cost of the program.

3.3. Implementation Options

Given that any concession fare program for financially disadvantaged groups should be based on tickets and not a pass, there are a number of options available for implementation. Four options have been identified and evaluated.

1. New concession fare ticket, to be purchased by eligible patrons through whatever social agency is deemed responsible. The agency purchases these tickets from the TTC at full price, and sells them at half-price. Patrons must show photo I.D. cards issued by agencies to collector/operator when depositing fares.

Advantages	Disadvantages
• Monitoring of concession fares by sales and as deposited	• Identifies patron as concession fare user (i.e. no anonymity)
• Agency can determine eligibility, number of tickets to be issued, control I.D. cards, etc.	• Inconvenient means of acquiring tickets
• Revenue received directly by TTC.	• New fare medium for TTC operators to recognize, including verification of I.D.
	• Administration costs to agency involved.

2. New concession fare ticket, same as 1. above, except tickets can be purchased through TTC collectors and regular outlets. Control is upon deposit of fares only. I.D. cards still issued by agency.

Advantages (different from Option 1)	Disadvantages
• Greater convenience for passengers	• Burden on TTC collectors to sell another medium
	• Greater administration costs for TTC
	• Less control of ticket sales and greater potential for fare abuse

3. Regular Adult Fare Ticket, purchased at half-price through agencies (who buy from TTC at full price).

Advantages	Disadvantages
• User anonymity preserved	• Less able to monitor actual concession fare usage, except by sales
• TTC receives revenue directly	• Inconvenient means of acquiring tickets
• Control of fare abuse the responsibility of the funding agency	• Administration costs for funding agency.
• No I.D. card requirement or operator verification of eligibility	
• No additional fare medium to consider	

4. Coupons issued to eligible patrons, when these coupons are presented to collectors (preferably with a photo I.D. card) collectors sell regular adult tickets 8 for $2.95. The TTC would bill the agencies involved $2.95 times the number of coupons received.

Advantages	Disadvantages
• If distributed by mail, coupon system would be convenient for both users and the agency involved.	• Inconvenient if they had to be picked up
	• Possibly unreliable if by mail
	• Identifies patron as a concession fare user
	• Revenue not received directly - TTC administration costs higher

- Coupon redemption by Collectors would be administratively infeasible, since funds received are deposited directly with the banks

- No monitoring of actual concession fare usage except as implied by receipt of coupons

Conclusion

From the TTC's perspective, option 3 is desirable, since revenue is directly received by the TTC, control of fare abuse is the responsibility of the funding agency, no onus is placed on TTC collectors or operators to recognize different fare media, and the anonymity of the concession fare user is preserved. This procedure is essentially that which is presently used by the local social welfare agencies who provide tickets to individuals on the basis of need.

4.0 Recommendations

Based on the Currie, Coopers and Lybrand study and further analysis presented in this report, it is recommended that:

1. The TTC accept the CCL recommendation that the TTC should not consider implementation of concession fares to HPMC groups and consequently not endorse the HPMC proposal for a half-price Metropass.

2. The TTC should retain its present age restriction regarding student eligibility unless suitable external funding for all student concession fares is forthcoming.

3. Should the Commission decide to endorse the program of concession fares for all or some of the financially disadvanted groups represented by HPMC, that:

   - Tickets, not passes be selected as the appropriate fare medium; and,

   - Relevant agencies involved be responsible for purchasing regular adult tickets from the TTC at full price and selling these tickets to their eligible constituents at half price.

CORPORATE RECORDS

CHIEF GENERAL MANAGER	GENERAL MANAGER OPERATIONS
GENERAL MANAGER ADMINISTRATION	GENERAL MANAGER PLANNING
GENERAL MANAGER ENG & CON	GENERAL COUNSEL
GENERAL MANAGER FINANCE	GENERAL SECRETARY
GENERAL MANAGER HUMAN RESOURCES	DEPARTMENT HEAD

October 10, 1984

October 11, 1984

ADULT STUDENT FARE POLICY

RECOMMENDATION

It is recommended that the Commission:

1. Receive the following report regarding Adult Student Fare Policy.

2. Approve the policy of maintaining the current age restriction on student eligibility unless suitable external funding for student concession fares is forthcoming.

3. Provide the Municipality of Metropolitan Toronto with a copy of this report for their information.

HISTORY

In October 1983, the Commission initiated a programme to reduce the abuse of student fare concessions. As part of this programme, the student concession fare privilege was restricted to those students in full-time attendance at Metropolitan Toronto secondary schools, who were 19 years of age or under at the commencement of the school year.

As a result of deputations received at the Commission meeting of November 1, 1983, protesting the introduction of the age limit on eligibility for student rates, the Commission requested a report from staff which would identify the social programmes in Metro which provided transportation assistance, the numbers of adult students eligible for and those actually receiving such assistance.

ADULT STUDENT FARE POLICY

HISTORY (Cont'd)

At its meeting of December 1, 1983, the Commission received this report, entitled "Transportation Assistance for Adult Students", which noted that about 2,500 of the 3,000 adult students attending Adult Learning Centres in Metro received financial assistance for transportation. Based on this information, the report suggested that:

> "Since it appears that transportation assistance for adult students is provided where appropriate (following a needs test) through various social service programmes, it is proposed that the current age limit on eligibility for TTC student fares be maintained."

The Commission referred this matter to the Metro Chairman's Office, so that a meeting could be arranged with Alderman Roscoe from the City of North York, the TTC and Metro Social Services - to review the figures submitted and to report back to the Commission.

This meeting was held on January 31, 1984, and all in attendance agreed that Metro Community Services, in cooperation with the North York Board of Education, would undertake a survey to determine how the various adult students were affected by the change in TTC policy, how many are involved and exactly what assistance they are receiving.

At the April 10, 1984 Metro Council meeting, the following motion was passed:

> "The Chief General Manager of the Toronto Transit Commission be requested to report to the Toronto Transit Commission and the Metropolitan Budget Sub-Committee on the options available with respect to Adult Student Fares, after examining all aspects with the Community Services Department and the Ministry of Community and Social Services."

ADULT STUDENT FARE POLICY

DISCUSSION

For various reasons the validity of the data obtained in the adult student survey conducted in May 1984, is in serious doubt and the results are therefore inconclusive. In light of the inconclusive survey results, it would appear that there is no supportable evidence to refute the figures reported at the December 13, 1983 Commission meeting, which indicated that about 2,500 of the 3,000 adult students then attending courses at the Adult Learning Centres, were receiving either TTC tickets or a monthly transportation allowance.

While it is acknowledged that a small minority of legitimate students may face some increased financial difficulty as a result of the TTC's eligibility restrictions, this must be traded off against two important factors:

- The need to control abuse of student fare concessions, and,
- The TTC's role is to provide an efficient transportation system, not to act as a social service.

As documented in the attached background paper, between 1973-1983, prior to implementation of the student enforcement program, abuse of the student concession fare program escalated. This resulted in both significant financial losses and a deterioration in operator-passenger relations when alleged students did not show their identification cards before depositing reduced student fares. The re-establishment of the age restriction is considered an important element in controlling fare abuse, which had developed into a major issue with Commission staff who are responsible for fare collection.

The Commission considers its mandate to be the provision of a comprehensive, efficient transit service. Matters relating to the cost of travel for students are more appropriately the responsibility of the local school boards, or the Department of Community Services. The Commission recognizes that the efficient administration of programmes of transportation assistance will frequently require its active participation. However, the Commission has a responsibility to ensure that the financial burden of the assistance does not fall on other rider groups.

ADULT STUDENT FARE POLICY

DISCUSSION (Cont'd)

In light of the preceding discussion, it would appear that the Commission has four principal options regarding Adult Student Fares, as follows:

1. Maintain the age restriction policy as is, recognizing that a small minority of adult students appear to be receiving no transportation assistance,

2. Eliminate the age restriction for full-time secondary school students, with other TTC riders bearing the cost - as they do for other student concession fares. This option is contrary to present Commission policy, since it does nothing to help reduce fare abuse.

3. Ensure that all adult students are eligible for transportation assistance. This would be the responsibility of either the local school boards or the Department of Social Services. Alternatively, the TTC could remove its age restriction if the associated revenue lost was made up by the aforementioned agencies. This policy is acceptable to the TTC insofar as it ensures that other TTC riders do not share in the costs.

   NOTE: Assuming that the 3,000 adult students affected would take 10 trips per week, on average, the estimated cost of either options 2 or 3 could be as high as $550,000 annually.

4. Transfer responsibility for the administration and costs of the student concession fare program to the local school boards (and the Ministry of Education). The establishment of appropriate eligibility restrictions would then be within their jurisdiction. From the TTC's perspective, this option is very desirable, since it equitably shifts the burden of the estimated $20 million cost of the student concession fare program from other TTC riders to the local and provincial education budget.

ADULT STUDENT FARE POLICY

JUSTIFICATION

The current age limit on eligibility for TTC student fares can be justifiably maintained, for the following reasons:

- o The importance of controlling abuse of the student concession fare program;
- o The availability of transportation assistance through various social programmes; and,
- o The fact that any change in policy causes the costs of providing reduced fares to adult students to be borne by other TTC riders.

If, however, external funding is made available to cover the costs of the student concession fare programme, then consideration should be given to allowing the agency responsible to determine eligibility for student fares.

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Attachment

cc: Policy and Coordination Committee Members
Mr. G. Jones
Mr. J.W. Davies